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Via Email Only (ljones@pszjlaw.com)

Laura Davis Jones
Partner
Pachulski Stang Ziehl & Jones LLP
919 North Market Street
17th Floor
Wilmington, DE 19899

Re: SaarGummi Tennessee, Inc. Claims and Threatened Actions

Dear Ms. Jones:

This firm represents Volkswagen Group of America Chattanooga Operations, LLC ("VW"), and this is in response to your letters to VW dated July 8, 2022 and July 13, 2022, regarding claims of Force Majeure and commercial impracticability affecting SaarGummi Tennessee, Inc. ("SaarGummi"), which produces sealing systems for VW, and threatening to stop producing and delivering the sealing systems identified in your July 13, 2022 letter ("Parts").

With respect to invoice number 90817 for purchase order 6000214496, we understand that the invoice is currently being processed for payment.

Pursuant to certain Nomination Agreements, SaarGummi's agreement with VW is controlled by the VW Terms & Conditions of Purchase ("Terms"). The Terms require SaarGummi to do all that it can to ensure VW production is met.

To the extent SaarGummi is attempting to terminate or modify its agreement with VW or suspend its performance, SaarGummi has no right to do so. The Terms state, "Seller may not suspend performance of the Order or terminate the Order for any reason."

The Terms provide that SaarGummi entered into a fixed price contract with VW with no provision for price increases due to material cost increases or other factors. Pursuant to the Terms, "prices are not subject to increase, unless specifically stated in the Order or an Agreement, and Seller assumes the risk of any event or cause effecting prices, including without limitation,...increases in raw material costs...and supply costs...."



SaarGummi is not entitled to claim Force Majeure or commercial impracticability. The Terms provide further, "The change in cost or availability of materials or components based on market conditions, supplier actions, or contract disputes or any labor strike or other labor disruption applicable to Seller or any of its subcontractors or suppliers, will not excuse Seller's performance (under theories of force majeure, commercial impracticability or otherwise), and Seller assumes these risks."

Further, SaarGummi has no right to stop production and delivery of the Parts. VW hereby demands that SaarGummi provide VW with adequate assurances that SaarGummi will continue production and delivery of the Parts.

Your reference to VW's May 2021 Force Majeure notice is not relevant to the current matter and has no effect on SaarGummi's obligations.

VW has been continuously working to review SaarGummi's financial situation and despite local and global offers to support SaarGummi, they have been so far rejected. Nonetheless, VW may be willing to continue reviewing the costs, and related factors, and consider further price increase proposals or other actions that can be taken to assist SaarGummi. However, SaarGummi must continue to comply with the Terms and supply the Parts.

If SaarGummi does not comply with the Terms and continue to produce and deliver Parts, VW will pursue all available remedies, including seeking compensation (including lost profits resulting from production interruption) and instituting legal proceedings.

Yours truly,



Timothy M. Gibbons

TMG/as

cc: Mr. John Critchfield, Corporate Counsel
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Ms. Inga von Seelen, Senior VP Purchasing
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